

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JULY 12, 2006

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; Craig Bulkley, Bureau Chief of Administrative Services; Randy Avery, Deputy Chief of Enforcement; Steven Slovenski, Legal Counsel; Peter Engel, Director of Store Operations; Kathleen Hass, Director of Purchasing; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc.

EXCUSED: John Bunnell, Administrator of Marketing & Sales.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Year-to-Date Sales Reports:

Total sales for the week ending July 10, 2006 increased by 13.4% for the yearly comparison. Other financial reports were not available at this time because of year-end adjustments being made.

B. Budget/Administrative Reports:

In reviewing the Commission's requirements for fire extinguishers and annual inspections, it was realized that the Commission is spending a lot of money for headquarters, the warehouse and stores. Craig will work with Peter Engel on creating a new contract which would assist in lowering excessive costs.

Next week's Governor and Council meeting will be held at the Institute of Politics at St. Anselm's College in Manchester. The Commission will have two contract extensions and donated equipment for the Enforcement "Gator Car" on the agenda. Chairman Maiola, Randy and Craig plan to attend this meeting.

There have been some recent changes to the "fair share" procedure. Friday, August 18th is the planned date for payroll deductions to begin. Letters have been sent to those employees who are not SEA members. Peter will not have concluded all of the store meetings regarding this subject before the deductions start.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve out of state travel requests for Investigators

Jim Wilson and Kyle Metcalf to attend a national conference in Baltimore at a total cost of \$742.00. The motion was unanimously adopted.

A new Ethics Law went into effect this past June, which is much more detailed than the previous one. It has very specific guidelines regarding accepting gifts. A packet of information will be put together for everyone to review, and Craig will work with Peter on developing an appropriate packet to be sent to the stores. Information will also be sent out to the brokers.

The latest W-6 Expense Budget Activity Variance Report shows everything to be in great shape, with \$30+ million in the budget to start with. George will work with Administrative Services to resolve three small negative balances. The Commission has received around \$76,000 back from VISA regarding the anti-trust litigation, which has been added back into the budget as well.

Nothing new has been heard from the auditors. Accounting continues to complete year-end tasks.

2. IT Report

Howard has a meeting this afternoon with OIT contract representatives to resolve some issues. The earliest the contract can get on the Governor and Council agenda is August 9th, which would mean the system would be installed in the fall.

VISA and Capitol One are still pursuing the Commission on the security breach issue. It appears they want to have an audit done by an independent firm on the equipment, and which would require an emergency contract to be submitted to Governor and Council next week. It was moved by Commissioner Byrne, seconded by Commissioner Russell, that approximately \$11,000 be approved for expenditure to conduct this audit. The motion was unanimously adopted.

3. Human Resources Report

Training on sexual harassment has been completed for the stores, with the exception of a few employees who will be trained in Concord.

II. MARKETING & SALES REPORT

1. Store Operations

Peter met with a vendor who produces plastic bags, and would like to move forward with a pilot program by purchasing 90 cases to be used in the stores. Per Commissioner Russell's request, he will check to see if they are biodegradable. Use of plastic over paper bags would result in substantial savings. Sleeves would still be used for multi-bottle purchases. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the purchase and trial use of plastic bags in Stores #34 Salem, #38 Portsmouth and #55 Bedford. The motion was passed on a two to one vote, with Commissioner Russell opposed.

2. Purchasing Report

Kathy distributed the current warehouse out of stock report.

3. Merchandising Report

A. SPIRITS:

1) Labor Day Submissions:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty-two (32) spirit items to be featured during the Labor Day Sale, commencing Thursday, August 31 through Sunday, September 10, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Johnny Love Passion Fruit Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of NH/J.L. Beverage Company for a new test market listing for Johnny Love Passion Fruit Vodka, 750ML size (assigned new Code #3420), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Cockspur Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of NH/Hood River Distillery for a new test market listing for Cockspur Rum, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Shango Rum Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Icon Brands for a new test market listing for Shango Rum Liqueur, 750ML size (assigned new Code #5751), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

d. Test Market Result (Codes #3582 and #3175):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant a specialty listing for Code #3706, Pinnacle Citrus Vodka, 1.75L size, as this item exceeded the gross profit required for specialty item consideration at the conclusion of a six-month test market period, and delist Code #3175, Ivanabitch Vodka, 750ML size for failure to meet gross profit requirements both for full distribution and specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

3) Line Extension Request (Pinnacle Vodka, 750ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/White Rock Distillery for a line extension to Pinnacle Vodka, 750ML size (assigned new Code #3502), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Product Promotion (Reyka Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./

William Grant and Sons to conduct on-site store promotions in conjunction with Reyka Vodka at Stores #73 and #76 Hampton on July 27-29, August 3-5 and August 24-26, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

5) September Special Offers:

a. 3 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions for three (3) spirit items, to be featured on sale during September 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

b. 52 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for fifty-two (52) spirit items, to be featured on sale during September 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

c. 22 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions for twenty-two (22) spirit items, to be featured on sale during September 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

d. 2 electronic items – Charles Zoulias:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers received electronically from Charles Zoulias, based upon depletions for two (2) spirit items, to be featured on sale during September 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

- e. 92 electronic items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers received electronically from Horizon Beverage Company, based upon depletions for ninety-two (92) spirit items, to be featured on sale during September 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

- f. 117 electronic items – Southern Wine & Spirits of N.E.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers received electronically from Southern Wine & Spirits of N.E., Inc., based upon depletions for one hundred seventeen (117) spirit items, to be featured on sale during September 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

- 6) Tabled Item: Electronic Submission of Supplier/Broker Offers (tabled from 6/21/06):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be removed from the table, and that the following pricing structure and promotion changes be approved:

1. Deduct Special Purchase Allowance and Depletion offers from the licensee discounted retail price.
2. Continue the policy of giving on-premise licensees only the lowest price at the warehouse, when the pricing is funded through depletion offers.
3. Include all warehouse licensee sales in the calculation of the amount of depletions charged to brokers.
4. Depletions for off-premise and agency licensees will be accepted for warehouse sales only. These offers will not be available through the state retail stores.
5. End the current rounding program of 49 and 99. Retail and wholesale prices will reflect all SPA, Depletions and discounts to the nearest cent. This change will be effective at the next price filing (November 2006).

The motion was approved on a two to one vote, with Commissioner Maiola opposed.

B. WINES:

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1) Top 1200 Gross Profit Requirements of Wine Ending 6/30/06:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the proposed new top 1200 wine gross profit dollar levels ending June 30, 2006, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

2) Top 1200 Wines Ending 6/30/06:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the proposed new top 1200 wines for the period ending June 30, 2006, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

3) Wines with Second Sizes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the removal from retail availability of forty-six (46) second size wine items where the first size has failed to meet the gross profit requirement of one and one-half times the primary listing, as recommended by Nicole Brassard, Wine Marketing Specialist.

4) Special Offers:

a. Labor Day Sale – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for two (2) wine items, to be featured on sale during the Labor Day Sale 2006. The motion was unanimously adopted.

b. August Special Offers – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers received electronically from M.S. Walker, Inc., based upon depletions of seventeen (17) wine items, to be featured on sale during August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Test Market Request for Palm Bay Imports Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H.

to test market seven (7) Palm Bay Imports wines by placing three absolutes in all Cluster 1 stores and in six additional stores, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

6) Purchase & Display Masi Masianco Pinot Grigio:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./ Remy Amerique to purchase and display Code #39219, Masi Masianco Pinot Grigio in selected stores during August and September 2006, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

7) Store Tastings:

a. CCPC at Store #76 Hampton:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from CCPC World Wide Ventures to conduct an in-store bottle signing event on Friday, July 14, 2006 at Store #76 Hampton, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

b. Change of date for Codorniu:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker, NH for a change of date for the in-store tasting of Code #44269, Codorniu at Store #60 West Lebanon from August 17 to August 14, and approve an additional tasting at Store #15 Keene on August 17, 2006. The motion was unanimously adopted.

8) It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from M.S. Walker, Inc. to conduct a “Warm Up with these Hot Savings” sweepstakes during September and October 2006, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

9) Close Outs:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close out pricing, to assist in depleting remaining inventory, for thirteen (13) champagne products which are

delisted from the retail stores, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

10) Recommended Allocated Wines for Distribution to Selected Stores (10 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve ten (10) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

11) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) allocated wines (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

12) “R” Wines for Allocation to Licensees Selected by the Broker (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) restricted wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

13) Primary Source Submissions (15 primary source; 23 exclusive agent; 15 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of fifteen (15) wine codes which are from primary source, twenty-three (23) wine codes which are offered by the exclusive marketing agent and fifteen (15) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

14) Tabled Item: Line Extension of Veuve Cliquot Rose NV (tabled from 6/28/06, Items B-3). Item remained on the table.

III. ENFORCEMENT & LICENSING REPORTS – No report.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated June 29 through July 12, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. Commissioner Russell – R.I.S.E. for Baby & Family:

Commissioner Russell read the contents of a letter from Toni Ellsworth thanking the Commission for their assistance in conducting a very successful wine tasting event to benefit the Keene area's R.I.S.E. for Baby & Family organization.

V. EXECUTIVE SESSION

The meeting adjourned at 1:30 p.m., and the Commission entered into non-public session to discuss personnel and store location matters.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

